REMARKS

A. Overview

Claims 1-28 are pending in the present application. The claims have been initially rejected on several grounds. This response addressed each rejection in the order presented in the Office Action. Reconsideration is respectfully requested.

B. Section 101 Rejection of Claims 1-4 and 9-21

The basis for the rejection is stated at the paragraph bridging pages 2 and 3 of the Office Action:

> As to claims 1-4 and 9-21, the claimed invention is not implemented on a specific apparatus, therefore, the invention is not directed to the technological arts. To be statutory, the utility of an invention must be within the technological arts. The definition of "technology" is the "application of science and engineering to the development of machines and procedures in order to enhance or improve human conditions, or at least to improve human efficiency in some respect." (Computer Dictionary 384 (Microsoft Press, 2d ed. 1994)). When one looks to the present specification to determine what the applicant has invented, the invention appears to be implemented on the computer. Thus, it is clear that the claimed invention are intended to be directed to the abstract method apart from the apparatus for performing the method.
>
> Therefore, claims 1-4 and 9-21 are non-statutory, because they are directed solely to the abstract method apart from the apparatus without practical application in the technological arts.

This rejection is respectfully traversed for the following reasons.

First, the Patent Statute, Title 35 United States Code ("U.S.C.") §101, entitled "Inventions Patentable" clearly states that:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement therefore, may obtain a patent therefore, subject to the conditions and requirements of this title.

There is no language in the statute relating to a method either being implemented on a specific apparatus or being within the "technological arts", as defined in the Office Action. The Applicants' specification clearly describes a methodology or process that can "enhance or improve human conditions, or at least to improve human efficiency in some respect" (*see, e.g.*, Applicants' specification pages 1-3, which describes how the method can save resources for a user in terms of time and money).

Second, if the Office Action is referring to the holdings in the cases of *In re Musgrave,* 167 USPQ (BNA) 280 (CCPA 1970) and *Ex parte Bowman,* 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001), it is respectfully submitted they do not control the claims rejected under this theory. Applicant respectfully submits additional language need not be added to the claims to make them statutory (particularly any explicit recitation of utilization of a computer). Independent method claims 1 and 21 recite explicit tangible actions, *e.g.,* selecting a certain predetermined market factor, determining a market condition, and providing and applying a formula. These concrete, useful, and tangible steps all relate to for developing, before creation of a contract for future delivery of a commodity, criteria acceptable to one party to the contract to determine price points for different portions of the commodity, with a goal of getting better price performance out of the contract. As stated at Applicants' specification, page 1, lines 15-16:

> Suppliers [of a commodity] are often willing to substitute a small increase in risk for an opportunity to capitalize on upward fluctuations in a commodity market."

As stated relative to one possible embodiment of the invention, at Applicants' specification page 6, lines 20-21 through page 7, lines 1-2:

> The method facilitates a supplier and a contractor entering into an agreement, utilizing the predetermined formula and a predetermined market factor, to price portions of a commodity throughout a predetermined pricing period.

By practicing the claimed method, the user of the method can try to improve the overall price that is obtained for the commodity, as opposed to locking in to a defined price at the start of the contract. It also takes away the extreme burden of trying to monitor market conditions day to day and handling individual contracts on portions of a commodity.

Other tangible and useful objects, features and advantages of the present invention are listed at Applicants' specification pages 3-4.

It is respectfully submitted that independent claims 1 and 21, as well as dependent claims 2-4 and 9-20 meet the "technical arts" and "concrete, useful, tangible" tests.

Third, it is furthermore respectfully submitted that "computerization" is not the touchstone for statutory subject matter. The steps in claims 1 and 21 are sufficient concrete, tangible post-processing of the method to meet statutory subject matter. The Examiner is directed towards the most recent U.S. Supreme Court authority on patent-eligible subject matter, *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int'l, Inc.*, 534 U.S. 124, 122 S.Ct. 593 (2001), interpreting the language of 35 U.S.C. § 101 to be extremely broad. The Supreme Court also recognized that Section 101 is a dynamic provision designed to encompass new and unforeseen inventions. Therefore, the U.S. Supreme Court's most recent articulation of 35 U.S.C. § 101 provides a far broader view of patent eligible subject matter than that which is articulated in the Office Action. 35 U.S.C. § 101 means what it says when it defines "any new and useful process" as being patent eligible subject matter and the categories of § 101 are not limiting. *See, e.g., J.E.M. Ag Supply* at 598 (citing to *Diamond v. Chakrabarty*, which held that anything "under the sun" made by man is eligible for patenting under § 101). To the extent that the position in the Office Action is inconsistent with *J.E.M. Ag Supply, Inc.*, it is respectfully submitted to be overruled or not controlling.

However, while Applicant does not agree that the claims of this application require the addition of a computer or some computerization, or other additions, to advance prosecution of the application, claims 1 and 21 have been amended to add change "A method..." to "A computer-implemented method". Additionally, a computer has been added into steps on claim 1. Claim 21 originally had a computer and database in the body of its claim. Additional recitations to the computer and database have now been added. The amendment attempts to follow the Examiner's comments in the Action and certainly meets even the standards recited in the Office Action for patentable subject matter.

It is respectfully submitted that claims 1 and 21, as amended, overcome any § 101 issue. It is also respectfully submitted that this amendment to claim 1 remedies any such rejection of dependent claims 2-4 and 9-20.

C. Section 102 Rejections of Claims 1-19, 21-24, and 26-28

The Office Action rejects claims 1-19, 21-24, and 26-28 as anticipated by U.S. Patent 6,195,646 ("Grosh"). This rejection is respectfully traversed.

A *prima facie* case of anticipation under Section 102 requires a showing that Grosh:

(1) teaches or discloses (by substantial identity between the disclosure of the reference and the claimed invention);

(2) each of the claimed elements (all the critical elements of the claimed invention must be in the arrangement of the claim);

(3) as interpreted by one of ordinary skill in the art (not in the abstract).

Grosh is entitled "System and Method for Facilitating the Valuation and Purchase of Information". Its primary focus is to try to calculate a value for digital information, and then selling such information at that valuation:

> The present invention is directed to the art of information valuation and transaction, particularly to a system and method for facilitating the valuation of information and the sale of such information.

Grosh, col. 1, lines 6-10. It laments the "dearth of pricing models" (col. 2, lines 30-52). Therefore, it discloses what it feels is a better pricing model for digital information (*see* Grosh, col. 2, lines 61-67, "Summary of the Invention").

Grosh does state that it could have a number of pricing models for information, but that its system "determines which particular pricing model (box 20) or models govern the information transaction,..." (Grosh, col. 3, lines 47-48).

Essentially, Grosh is interested in solving the problem of how a computerized system could set a value or price for digitized information, especially when it is relatively small in size and can vary dramatically. Grosh argues its method is needed because no existing pricing structure for information is satisfactory for this purpose—i.e. there was a need for a better way to set the value or price for that type of information. Grosh not only states that it provides a way to value such information, but its system selects the pricing model that will be used for different types of information to be valued.

In direct contrast, the Applicants' claimed invention is not a pricing model. Nor does it select which model will govern. To the contrary, it is a method that allows (a) a user to pre-select, when forming a contract for the future delivery of a pre-determined quantity of a commodity, the factor or factors it believes will best meet its needs to capitalize on the natural volatility of prices established in most commodity markets, and then (b) let the selected factors

be used in a formula to determine when different portions of the contracted quantity are to be locked to market price set by the market, not by the claimed method. The claimed method locks to market prices at least for two different portions of the pre-determined quantity at separate times during the pricing period of the contract. Importantly, the "pricing" in Applicants' invention is describing the creation of a price by the method. It is referring to locking to an actual market price established by a given market (*e.g.* Chicago Board of Trade).

An analogous example is when a home-buyer locks onto a interest rate for a mortgage. The home-buyer does not create the rate—it is created by the mortgage market. The home-buyer tries to capitalize on volatility in the mortgage market by picking the time to lock to market rate when the rate is lowest. However, this relies on guesses by the home-buyer and requires the time and effort to vigilantly watch the trends and information about the mortgage market to make the most educated guess.

Applicants' method, instead, allows a user to pre-select the factor(s) that will determine when the method locks in on the established market prices. Again, Applicants' method, unlike Grosh, does not create a valuation for the commodity; it goes out and uses a valuation created by someone else (like the Chicago Board of Trade). The Applicants' method, however, allows a user to create the criteria by which the method or system selects what portion of the total quantity of contracted commodity will be given what market price or not.

Furthermore, Applicants' claimed invention is not a method to sell a commodity. It is a technique that can be advantageously used to try to get better results from a contract for future delivery of commodity. This contract commits a party to deliver a certain amount of product to another party at a future date. Instead of locking in a price for the commodity at the start of the contract (and bearing the risk that the price of the commodity in the market will go up before the

commodity has to be delivered), the present invention allows splitting of the commodity to be delivered into at least two portions, and have each portion priced (according to market determined prices) at different future times. As mentioned previously, the advantage of this method is made clear in Applicants' specification. A contract can be formed today but the pricing of portions of the quantity contracted for can depend on events in the future. The user can thus "play the market", so to speak, to attempt to get a better price for the whole quantity than if the user simply locked into a price at the formation of the contract.

Grosh has no disclosure of application to such a situation, where contractual commitments of delivery are made in advance of delivery, and where the prices for the product to be delivered will be set by an independent market, not by the parties to the contract.

It is respectfully submitted that Applicants' original claim 1 clearly set forth these differences from Grosh. In particular, original claim 1, step (e), specifically called out that "a first portion of the commodity" is priced when the formula determines the "existence of a first favorable pricing condition". Step (h) similarly prices "a second portion of the commodity" when the formula determines the "existence of a second favorable pricing condition".

Examples of the practical advantages of Applicants' claim 1 are set forth throughout Applicants' specification. A simple one is set forth at Applicants' specification, page 24, line 17 through page 25, line 8. A user could simply use the equivalent of time cost averaging in investing—regular continued purchase of shares of the same stock over time will hopefully provide a better value than trying to pick the best time to buy. This is not inventing a valuation model; it is using it to price portions of a commodity to be delivered in the future. Applicants' pricing is based on current market price for the commodity set by the market, not by Applicants'

method. Applicants' method determines the timing of when the market-set price or valuation is used.

More complex examples of Applicants' invention are set forth at specification pages 25-31. The timing of when established market valuation prices are used can be based on time criteria, pricing criteria, market trend criteria, market fluctuation criteria, etc. As indicated at specification page 28, lines 4-9:

> The supplier (16) may either select one of the predetermined formulae, such as those described above, or may opt for a custom programmed formula, utilizing market price or other factors which more closely comports with the supplier's associated desire for risk and monitoring. Those skilled in the art will recognize that the time and market factors described above may be modified to address the individual pricing goals of suppliers (16) and contractors (44).

Note that this description clearly states that the user pre-selects a formula (the pricing model) which determines when the method determines if and when it will lock in on an established market valuation or price. It is not creating the market valuation.

Therefore, it is respectfully submitted that Grosh does not present a *prima facie* case of anticipation of Applicants' independent claim 1. It does not disclose the idea of breaking up a quantity of commodity, which is promised by contract to be delivered in the future, into at least two portions, and then providing the claimed methodology to determine when established market prices are used to value each portion. Grosh therefore is missing critical and material elements of Applicants' claim 1. It is respectfully submitted Applicants' claim 1 is patentably distinct from and allowable over Grosh.

Applicants' original independent method claim 21 has similar limitations to those discussed above regarding claim 1. Step (e) recites a formula "capable of comparing said predetermined market factor to said related market conditions to determine the existence of

favorable pricing conditions for **portions of the commodity**" (emphasis added). Step (g) states "automatically pricing **said portions**...." (emphasis added). For the same reasons discussed regarding claim 1, it is respectfully submitted Applicants' claim 21 is allowable over Grosh.

Claims 2-19 and 20 are dependent from claim 1, and claims 21-24 and 26-27 are dependent from claim 21, and thus are submitted to be allowable for the reasons expressed in support of claims 1 and 21.

Additionally, dependent claims 8-12, 26, and 27 discuss either multiple times for pricing or specific times for pricing portions of the total quantity of commodity under contract. This is not discloses in Grosh. Dependent claim 13 specifically calls out pricing a larger portion of the total quantity at a different time than another portion. Other dependent claims contain further distinctions from Grosh. These are separate grounds for patentability over Grosh.

Independent claim 28 is an apparatus claim. However, it contains limitations that call out pricing "portions" of a commodity. These are similar to those in claims 1 and 21. This is not disclosed by Grosh, and therefore, claim 28 is likewise submitted to be allowable over Grosh.

To make the above distinctions clearer, independent claims 1, 21 and 28 have been amended with clarifying language. The language is not deemed necessary to distinguish the Applicants' claims from any rejection, but rather to emphasize the distinctions already existing in those claims.

For example, Claim 1 has been clarified by:

(a) Emphasizing in the preamble that the method relates to "pre-setting pricing conditions acceptable to a first party to a contract with a second party for future delivery of a predetermined quantity of a commodity that will have future periodic market prices established by a market". It emphasizes this is "pre-setting pricing conditions", as opposed to creating a

valuation, as with Grosh. It emphasizes the pricing in the context of a contract for future delivery of a pre-determined quantity of a commodity, not valuing digital information that is immediately for sale at that price or valuation, like Grosh. It emphasizes that it will pull down future market prices established by an existing market, not creating a market price like Grosh.

(b) Clarifying there is a "predetermined quantity of the commodity" contracted for, and then "portions" are individually priced during the contract pricing period, not the creation of a price or valuation for immediately-for-sale information, like Grosh.

(c) Clarifying the "pricing" is from "a market price established by the market", not a price established by the method, like Grosh.

(d) Adding a final clarifying clause that "pricing of different portions of the predetermined quantity of the commodity acceptable to the first party can be built into the contract at its formation". Grosh does not disclose breaking the pricing up into at least two portions at the formation of the contract, and pricing the portions by referring to external market prices at different times.

It is respectfully submitted that these revisions emphasize the patentable differences discussed previously between Applicants' claim 1 and Grosh. Some similar revisions have been made to Applicants' claims 21 and 28.

D. Section 103 Rejections of Claims 20 and 25

Claims 20 and 25 have been rejected as obviousness solely on the basis of Grosh. This rejection is respectfully traversed.

A *prima facie* case of obviousness under Section 103 requires a showing that Grosh:

(1) is "analogous art" (*i.e.* (1) in the field of endeavor of the invention or (2) reasonably pertinent to the problem being solved by the invention);

(2) teaches (is enabling under §112);

(3) a reason, suggestion, or motivation to modify Grosh (or do they "teach away" from Applicants' claims?)

(4) in a manner which appear to show or suggest the claimed invention to one of ordinary skill in the art ((considered a factual analysis using the *Graham v. Deere*[1] legal framework: What is the "state of the art"? (i.e. what is the relevant or correct prior art to consider?) What is the level of ordinary skill in the art? (i.e. from what viewpoint do we consider what is or is not obvious?) What are the differences between the prior art and claims at issue? (i.e. how close is the prior art to the claimed idea?))

First, it is respectfully submitted that Grosh is non-analogous to Applicants' claimed invention. To be analogous, Grosh must either be (a) in the same field of endeavor as the claimed invention, or (b) reasonably pertinent to the problem being solved or addressed by the claimed invention.

As explained above, neither case applies. Grosh is a method or system of creating a value for information. The claimed invention is a method or system for determining when someone else's established prices are to be used for different portions of a commodity in a contract for future required delivery of the entire quantity. Grosh is in a different field of endeavor. It explains its method is needed because of its assertion no adequate method of valuing such

[1] 383 U.S. 1 (1966).

digitized information exists. As explained in Applicants' specification (see, e.g., page 8, lines 12-17), and as claimed, Applicants' field of endeavor is a method or system which uses someone else's established valuation (e.g. published prices from an established market like the Board of Trade). Thus, Grosh is not reasonably pertinent to the problem being addressed by Applicants' claimed invention. Applicants' claimed invention does not need or care about creating market prices. It wants to benefit from the natural volatility of those market prices when fulfilling a contract for future delivery of a commodity that is valued by those market prices.

Secondly, Grosh does not teach or suggest the Applicants' claimed invention. For example, claim 20 describes one example of a market factor that could be used with the method of independent claim 1. The market factor relates to consideration of global climate in a certain geographic region. The Examiner admits that Grosh does not disclose this, but takes the position that it would be obvious to a person of ordinary skill in the art to modify Grosh to include a climate factor. It is respectfully submitted that a *prima facie* case of obviousness is not made out by Grosh because Grosh lacks the differences pointed out previously when discussing Applicants' claims 1, 21, and 28 relative to Grosh. Claim 20 is dependent from claim 1, and therefore submitted to be allowable for the reasons in support of claim 1. Grosh does not have any teaching of, or reasons, suggestion, or motivation to be modified in the manner set forth in claim 20. Grosh does not involve the contracting for future delivery of a commodity, as is set forth in Applicants' claims. It is dealing with the selling of information. There is no reason or need to monitor global climate relative to digital information.

By further example, Claim 25 describes forming a contract with digital signatures. This is not taught by Grosh. Claim 25 is submitted to be patentable for the reasons expressed in support of its base claim 21.

E. New Claim 29

New independent claim 29 is submitted to be allowable for at least the reasons expressed in support of allowability of independent claims 1 and 21. Furthermore, new claim 29 describes a method that includes the following features distinct from Grosh:

(1) The preamble specifically states the method relates to a way to capitalize on market price volatility. This emphasizes that actual price of the commodity is not set by the method, as with Grosh, but rather by a market for the commodity. Grosh is a way to price or value information. The claimed method is a way for a party to a contract for future delivery of a commodity to decide when market-set prices will be used to value different portions of the quantity contracted for future delivery to hopefully capitalize on favorable market swings for the commodity. The old ways either required the party to lock into price for the whole quantity at the beginning of the contract (i.e. try to guess a good price for the whole thing and hope it is better than what will happen in the market), or inefficiently spend substantially time and resources personally monitoring market conditions and picking pricing points (i.e. again trying to guess when to lock into market prices).

(2) The preamble specifically states the commodity is a substantially fungible commodity, in contrast with Grosh. Grosh teaches methods to value non-fungibles—i.e. digital information that varies. Grosh is thus non-analogous to the present claimed invention. It is not in the same field of endeavor (contracts for future delivery) or reasonably pertinent to the problem addressed by the presently claimed invention (how to capitalize on normally volatile market-set prices).

(3) makes clear that a first party to the contract inputs information relating to formation of a contract for future delivery—e.g. type, quantity, pricing period. Grosh has no teaching or suggestion of this.

(4) makes clear that a party to the contract pre-selects the type of factor by which the market price for different portions of contracted quantity of commodity will be set—e.g. by selecting the market factor(s). Grosh teaches a method of valuing, and thus creating a price for, information, not a method of splitting up a piece of information into portions and using others established prices for the portions.

(5) calls out the formation of the contract. Again, Grosh has no teaching of this.

(6) specifically calls out acquiring actual market prices when triggered by the method. Again, Grosh creates its own prices.

(7) calls out checking whether all the quantity of commodity is priced and/or whether the pricing period is ended. Grosh has no such teaching.

It is therefore respectfully submitted that new claim 29 is allowable.

F. Conclusion

It is respectfully submitted that all matters raised in the Office Action have been addressed and remedied, and that the application is in form for allowance. Favorable action is respectfully solicited.

Please charge deposit account 26-0084 in the amount of $325.00 for (a) the addition of one new independent claim and (b) a two-month extension of time. No additional fees or extensions of time are believed to be due in connection with this amendment; however, consider

this a request for any extension inadvertently omitted, and charge any additional fees to Deposit Account No. 26-0084.

Reconsideration and allowance is respectfully requested.

Respectfully submitted,

MARK D. HANSING, Reg. No. 30,643
McKEE, VOORHEES & SEASE, P.L.C.
801 Grand Avenue, Suite 3200
Des Moines, Iowa 50309-2721
Phone No: (515) 288-3667
Fax No: (515) 288-1338
CUSTOMER NO: 22885

Attorneys of Record

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